

NAME OF POLICY	VIREMENTS POLICY
VERSION	1
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Emfuleni Local Municipality

Virements Policy

Table of Contents

1	Introduction	3
2	Purpose of the policy.....	Error! Bookmark not defined.
3	Definitions	3
4	Policy	4
4.1	Prohibited Virements	4
4.2	Administrative Matters	4
5	Scope	5
6	Review and amendments	5

Annexures

- 1. Annexure A – Table of allowable and prohibited transfers.**
- 2. Annexure B – Transfer of Funds Form**

1. Introduction

This policy has been prepared in terms of regulation 7 of the Municipal Budget and Reporting Regulations, 2009 which requires that:

“The Municipal Manager of a municipality must prepare or take all reasonable steps to ensure the preparation of the budget-related policies of the municipality, or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the Mayor in terms of section 21(1) (b) of the Act”

2. Purpose of the policy

The purpose this policy is to allow flexibility on the use of budgeted funds without compromising service delivery, altering the objectives of the Integrated Development Plan or targets in the Service Delivery and Budget Implementation plan or compromising prudent financial management.

3. Definitions

“**Vote**” means—

“(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and

(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.”

“**Line-item**” an appropriation that is itemized on a separate line in a departmental budget

“**Virement**” refers to the transfer of funds from one line-item to another in the same department or vote and within the limits allowed by this policy.

“**Cash-item**” refers to a line item receivable or payable in cash and whose movement then affects the cash position of the municipality.

“**Non-cash item**” refers to an expenditure line whose realisation is not required to be made in cash e.g. depreciation, provision for doubtful debts, etc.

4. Policy

‘4.1 Prohibited Virements

- i. No transfer shall be made from a line item when it will result in over-expenditure in the line item from which the transfer is made.
- ii. No transfer shall be made from ring-fenced allocations.
- iii. No transfer shall be made from non-cash items to cash items and vice-versa.
- iv. No transfer shall be made where it will result in non-achievement of the targets in the Service Delivery and Budget Implementation Plan by Council.
- v. No transfer shall be made from or to revenue items or between the revenue items.
- vi. No transfer shall be made where it will result in non-compliance with the Municipal Finance Management Act and other relevant legislation.
- vii. No transfer shall be made where it will result in the municipality not complying with norms and standards set by the National or Provincial Treasury and other Regulatory Bodies or where it will result in the aggravation of non-compliance with norms and standards e.g. reducing percentage norms or standards for repairs and maintenance to the capital budget or to the NERSA threshold, etc.
- viii. No transfer shall be made from the capital budget to the operational budget or vice versa.
- ix. No transfer shall be made in the capital budget across different sources of funding.
- x. No transfer shall be made to or from grant funded expenditure.
- xi. No transfers shall be made across votes.
- xii. No transfers shall be made during the mid-year period when the municipality is compiling an adjustments budget in terms of section 28 of the MFMA.

‘4.2 Administrative Matters

- i. Delegations of authority as approved by Council shall apply when requests for virements are made and as such the limitations of the delegations, financial and otherwise shall not be contravened by any request for virement.

- ii. All requests for transfers shall be made on an official transfer of funds form approved with this policy.
- iii. All requests for transfers of funds shall be approved by the Chief Financial Officer and the Municipal Manager.

5. Scope

This policy is applicable to all revenue and expenditure line items which are included in the budget of the Emfuleni Local Municipality and shall be applied by all officials.

6. Review and amendments

This policy is effective once it is approved by Council and shall be reviewed at least annually or as circumstances change and an update is required.